

ISLE OF ANGLESEY COUNTY COUNCIL	
Adroddiad i: Report to:	Audit and Governance Committee
Dyddiad: Date:	1 December 2020
Pwnc: Subject:	An Update on the Internal Audit Strategy and Priorities for 2020-21
Pennaeth Gwasanaeth: Head of Service:	Marc Jones Director of Function (Resources) and Section 151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Awdur yr Adroddiad: Report Author:	Marion Pryor Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
Natur a Rheswm dros Adrodd / Nature and Reason for Reporting: In accordance with the Council's 'Strategy for Committee Meetings', this report meets the requirements of the Local Government (Wales) Measure 2011, which sets out the legislative duties to be performed by a council's audit committee, specifically, to oversee the authority's internal audit arrangements.	

Introduction

1. As a result of the current pandemic, the Council has had to prioritise its resources and the efforts of its workforce, so maintaining 'business as usual' has been difficult. However, although half of the Internal Audit team was redeployed within the organisation until late August 2020, 'internal auditing' has continued and has been directed to the areas of greatest value and risk to the organisation, responding to requests for assurance from the Senior Leadership Team, and undertaking mandatory grant audits.
2. We have therefore provided this brief update, as at 16 November 2020, on the audits completed since the last update as at 1 September 2020, the current workload of internal audit and our priorities for the short to medium term going forward.

Recommendation

3. That the Audit and Governance Committee notes Internal Audit's assurance provision and priorities going forward.

CURRENT CONTEXT

4. There needs to be a flexible approach to ensuring audit work meets the needs of the Council in this ever-changing risk and control environment. Internal Audit has used an innovative, fluid approach to planning since 2018/19 to determine its audit priorities. This has helped to ensure that Internal Audit's approach has remained proportionate in a climate of diminished resources.
5. In addition, a meeting of colleagues from across the UK on 14 October 2020 highlighted that in the current situation, it is critical to keep the audit plan current and under review. Agile Auditing and Agile Audit planning have become key tools; long-term audit planning even for next 12 months is unrealistic and fruitless. The internal audit team's workload is therefore being kept under constant review, in close consultation with the Risk and Insurance Manager and the Senior Leadership Team.

ASSURANCE WORK COMPLETED SINCE THE LAST UPDATE

6. Following the employment of a new Senior Auditor in early August and the return of staff from redeployment in late August, work has recommenced and continued at pace:

Audit Area	Date of Final Report	Assurance Level	Catastrophic	Major	Moderate
Management of School Unofficial Funds	September 2020	Limited	0	1	4
Leavers' Process	September 2020	Limited	0	1	3
Payroll – Separation of Duties (Fourth Follow Up)	September 2020	Reasonable	0	0	1
Rent Smart Wales Grant 2019/20	September 2020	Substantial	0	0	0
Pupil Development Grant – Looked After Children 2019/20	September 2020	Substantial	0	0	0
Sundry Debtors (Third Follow Up)	September 2020	Reasonable	0	0	5
Local Authority Education Grant – Minority Ethnic Achievement Grant 2019/20	November 2020	Substantial	0	0	0

7. In accordance with the Committee's request, the full report and action plan for the two 'Limited Assurance' reports have been issued separately to members of the Committee and the relevant Portfolio Holders.
8. The responsible officers will be present in the meeting to answer any questions the Committee may have on these two reports:

- Management of School Unofficial Funds – Rhys Hughes, Director of Education, Skills and Young People; Aaron Evans, Senior Manager (Secondary Sector), Lifelong Learning
- Leavers' Process – Carys Edwards, Head of Profession HR and Transformation, Corporate Transformation; Marc Jones, Director of Function (Resources) and Section 151 Officer

WORK IN PROGRESS

9. There are a number of audits currently underway:

Audit Area	Service	Reason for Audit	Stage	Anticipated Final Report Date
Creditors – Supplier Maintenance	Resources	Fraud	Draft report issued	November 2020
Corporate Parenting Panel	Social Services	Senior leadership request	Informal draft report issued	December 2020
Emergency Management Assurance (First-line assurance)	Corporate	High risk – Covid 19 related	Scoping and preparation	January 2021
Pupil Development Grant (PDG) Access	Resources/ Learning Service	Grant condition	Fieldwork	December 2020
Local Authority Education Grant – Teachers Pay Award – Financial Pressures Associated with Teachers Pay Award	Resources/ Learning Service	Grant condition	Draft report issued	December 2020
Local Authority Education Grant – Professional learning to support and raise the quality of our teachers	Resources/ Learning Service	Grant condition	Fieldwork	December 2020
Local Authority Education Grant – Wellbeing - A whole-school approach to mental health and emotional well-being	Resources/ Learning Service	Grant condition	Fieldwork	December 2020
Local Authority Education Grant – Cost of Teachers' pay award (excluding 6th forms)	Resources/ Learning Service	Grant condition	Fieldwork	December 2020
Local Authority Education Grant – Additional Free School Meal costs due to rollout of Universal Credit	Resources/ Learning Service	Grant condition	Fieldwork	December 2020

Audit Area	Service	Reason for Audit	Stage	Anticipated Final Report Date
Recovering Council Debts	Resources	Director of Function (Resources) and Section 151 Officer request	Scoping and preparation	January 2021
The Identification of Duplicate Invoices and Recovery of Duplicate Payments	Resources	Director of Function (Resources) and Section 151 Officer request	Scoping and preparation	January 2021

10. The following work is also underway:

National Fraud Initiative

11. The biennial National Fraud Initiative (NFI) exercise is underway. The Auditor General for Wales mandates these data matching exercises under his statutory powers in the Public Audit (Wales) Act 2004.
12. We are working with services to extract data for uploading to the NFI portal, which is mandatory and must be completed by 1 December 2020 for the main bulk of datasets required.
13. A new exercise has been added this year to undertake data matching to identify potential fraud in relation to the Covid-19 relief programme. In December 2020, we will be required to submit data for the Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund.
14. The NFI exercise will involve data analytics to identify:
 - multiple small business grants paid to businesses within local authorities
 - duplication between grant schemes where relevant; and
 - payments made to business or individuals flagged in proven fraud 'watchlist' data where available.
15. At this stage, the NFI is not asking for submission of grants data for payments from the Lockdown Business Fund that relate to the Firebreak Lockdown. However, it is likely the NFI may request this data for a future exercise.
16. A further exercise involving Council Tax and Electoral Register data must be completed between 1 December 2020 and 29 January 2021.

Overdue Actions

17. Due to services being heavily involved in responding to the emergency, we suspended our work following up on actions to address the 'Issues/Risks' we had previously raised in our reports.
18. This resulted in a number of actions becoming overdue and we have restarted our work in this area. We have focused our work in Resources, as this is where the majority of the overdue actions sit.
19. The 4action dashboard at [Appendix 1](#) provides the situation as at 16 November 2020. Services have been working hard to address outstanding 'Issues/Risks' leaving currently only five actions overdue, relating to procurement, payroll and the payment of housing rent by standing order. Work is progressing to support services with implementing all outstanding actions.

PRIORITIES FOR THE REMAINDER OF THE YEAR

20. The following work will be prioritised for the remainder of the year, while also remaining agile to react to any work arising at short notice, and any requests from the Senior Leadership Team. The first two pieces of work were notified to the Committee at its meeting on 1 September 2020:
 - Managing the Risk of Fraud
 - NDR Fiscal Stimulus (Business grants) – post-payment assurance

Homelessness (YM45)

21. We started to look at this area of work before lockdown, due to it being identified in the corporate risk register with a 'Major' residual risk rating as part of the overarching risks arising from Welfare Reform (formerly YM10). The SLT has now amended the risk register entry, which is now focused more widely on the risks associated with poverty (YM45).
22. Work was postponed due to the Housing Service being heavily involved in the emergency response, but will be recommenced before the end of the year with a focus on the revised risk register entry.

Housing Allocations

23. Although more recently impacted by Covid 19, the performance measure in the corporate scorecard for housing allocations has consistently been poor, which has come to the attention of the Executive and they have asked that we review this area to determine the cause.

Ash Dieback (YM47)

24. Ash dieback, *Hymenoscyphus fraxineus* (formerly known as *Chalara fraxinea*), is the most significant tree disease to affect the UK since Dutch Elm Disease. It will lead to the decline and possible death of the majority of ash trees in Britain and has the potential to infect more than two billion ash trees (over 1.8 billion

saplings and seedlings to more than 150 million mature trees) across the country.

25. Ash dieback will lead to changes to our landscape and tree populations, changes to biodiversity and landscape character and potentially increase effects such as flooding caused by the way water interacts with the environment. With current consensus being that up to 85 – 90% of ash trees will die or be severely affected over the next 5 – 15 years the scale of health and safety risks caused by ash dieback alone will mean that it will not be 'business as usual' for any organisation managing ash trees. Tree failures could translate into an increase in the number of people harmed by trees and a potential increase in property claims.
26. The Council will need to review, where necessary, and make changes to tree safety management regimes and practices. This will have major resource implications to make safe those ash trees close to roads, public rights of way, public spaces, railways, and telephone and electricity cables.
27. While there is still a degree of uncertainty on how Ash Dieback will impact our society, it is foreseeable that it will result in a loss of current amenity, while elevating risk and the costs of managing these.
28. Due to the prevalence of Ash trees in parks and roadside verges, the Head of Highways, Waste and Property has raised this issue with us. The SLT has also now recognised this risk in its corporate risk register (YM47), with a 'Critical' inherent risk and 'Major' residual risk following mitigation measures. We will review these mitigating measures and the action taken by the Council to understand the scale of the issue, the risks it presents and how effectively the Council is controlling and managing these risks.

IT Audit

29. As with all organisations, technology is an integral part for all day-to-day operations and reliance is placed on availability and continuity of digital services and ensuring connectivity, particularly during the current pandemic where the majority of users are working at home. In addition, the Council has set its 'Digital Island' strategy to deliver effective and efficient digital services for the people of Anglesey.
30. Assurance is required that ICT Services is equipped with the required technology, capacity and capability to maintain a level of service to align to the Council's core objectives and to ensure the confidentiality, integrity and availability of the council's data.
31. The Internal Audit team do not have the technical capability to provide this assurance, so we have commissioned the City of Salford IT Audit team to undertake two pieces of assurance work on our behalf. The first piece is confidential but we will provide more details in due course. We are currently in discussion with the ICT service to agree a mutually beneficial topic for the second piece.
32. Both pieces of work will be undertaken before the end of the financial year.

‘PARKED’ WORK

33. The following audits (Corporate Risk Register priorities) are deemed low priority for assurance; they have not advanced significantly as a project and therefore an audit at this stage would not provide any significant benefit or assurance. The audits are therefore ‘parked’ until resources allow or sufficient work has commenced:

- YM32 – Investment in Leisure Facilities
- YM15 – Schools modernisation project
- YM17 – Island infrastructure

APPENDIX 1 - OVERDUE ACTIONS (4ACTION DASHBOARD)

